

**AGREEMENT BETWEEN
ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC
FACILITIES
AND
FAIRBANKS GOLD MINING, INC.**

STEESE HIGHWAY UNDERCROSSING AGREEMENT

1. Definitions.

The terms appearing below shall have the following definitions:

- a. "DOT&PF" means the Alaska Department of Transportation and Public Facilities.
- b. "Regional Director" means the Regional Director, Department of Transportation and Public Facilities, Northern Region.
- c. "FGMI" means Fairbanks Gold Mining, Inc.
- d. "Steese Highway" means the portion of the Steese Highway between station 1029+00 to station 1069+00, including the full width of the right-of-way associated therewith (approximately 20.1 mile on the Steese Highway). These stations are in English units describing the as-built plans of DOT&PF. The centerline of the Undercrossing is located at station 1049+10 on the Steese Highway, adjacent to USBM R13 on the East side of the Highway.
- e. "Undercrossing" means Bridge Number 2059, including bridge approaches, paving, bridgerails, guardrails, signs, and all associated work as a result of the undercrossing project, as described in the FGMI submitted plans for "Fairbanks Mining Road Undercrossing" (Harding Lawson Associates, Bridge design plans, with engineer's stamp dated 10/15/2000), and Design Alaska, "True North Steese Highway Underpass". For location, see map attached hereto as Exhibit A.
- f. "Bridge deck" means the top of the undercrossing structure where the Steese Highway traffic will be.
- g. "Specification" or "specifications" means the State of Alaska Standard Specifications for Highway Construction (Metric Edition) Dated 1998, and the State of Alaska Standard Drawings Manual, latest edition.

2. Recitals.

The Steese Highway is an existing improved public road that is paved. The Steese Highway is a rural collector in mountainous terrain, and in the area of the Undercrossing has a 7.45% grade. DOT&PF currently provides all road maintenance on the Steese Highway.

DOT &PF and FGMI recognize and agree that the Undercrossing will allow access between True North Mine and Fort Knox Mine without the need to create an at grade intersection on the Steese Highway. The Undercrossing is for the benefit and convenience of FGMI. It is the intent of this Agreement that FGMI bear all costs of the design, construction, maintenance, and repair of the Undercrossing throughout the life of this agreement. It is further understood that FGMI shall bear all liability with respect to the design, construction, structural integrity, repair, and maintenance and operation, of the Undercrossing. It is understood that the Undercrossing is a public facility owned by the State of Alaska, with all costs associated with the Undercrossing and its associated improvements paid by FGMI.

3. Authority for Agreement.

The statutory authority for DOT&PF to enter into this Agreement is AS 44.42.060, AS 44.42.020(6) & (7). The Regional Director finds that it is in the best interests of the State to enter into this Agreement for the private financing and construction of the improvements as herein provided.

4. Design, Construction, Traffic Control & Detour, and Maintenance.

Until this agreement is terminated, FGMI assumes all liability for the design, construction, traffic control, and maintenance of the Undercrossing. FGMI assumes all liability from the possible environmental contamination caused by the construction of the Undercrossing.

It is FGMI's responsibility to obtain any environmental permits, whether from the federal, state, or borough governments, required for the construction of the Undercrossing. It is FGMI's responsibility to obtain all necessary approvals, non-objections, or permits that may be required by federal, state, and borough governments. FGMI shall write and administer an Erosion and Sediment Control Plan for the construction process, which must be approved by the Regional Director or his designee prior to construction of the Undercrossing. FGMI shall comply with all applicable federal, state, and borough laws in the construction of the Undercrossing.

A. Design

FGMI shall design the undercrossing, bridge approaches, paving, briderail, guardrail, signs, and all associated work as a result of the undercrossing, on the Steese Highway or within the Steese Highway Right of Way in accordance with DOT&PF's Preconstruction Manual, Chapter 11. Before proceeding with construction, FGMI must have the written approval and Notice to Proceed of the Regional Director.

Approval and Notice to Proceed will not be given unless the Plans are certified by a registered engineer, and are in compliance with DOT&PF's Preconstruction Manual, Chapter 11. Further, Approval and Notice to Proceed will not be given unless all required permits are obtained, and all required bonding and insurance has been obtained by FGMI and approved by DOT&PF, the Erosion and Sediment Control Plan has been approved by DOT&PF, and the Traffic Maintenance Plan has also been approved by DOT&PF.

B. Construction

FGMI shall construct the undercrossing, bridge approaches, paving, briderail, guardrails, signs, and all associated work as a result of the undercrossing, in accordance with the plans and all applicable specifications. The Regional Director or his designee will decide all questions which may arise as to the quality and acceptability of materials furnished, work performed and the rate of progress of the work; all questions which may arise as to the interpretation of the Plans and Specifications; and all questions as to the acceptable fulfillment of the Agreement on the part of FGMI. Specifications 105-1.01, 105-1.02, 105-1.03, 105-1.04, and 105-1.05 shall apply to this Agreement, except that the Regional Director or his designee shall be substituted for Engineer in the specifications, and FGMI shall be substituted for Contractor in the specifications. (The last paragraph of 105-1.01 will not apply to this Agreement.)

Construction is scheduled to begin on or about the effective date of this agreement, and be completed by June 10, 2001. The Steese Highway in the construction area shall be paved, by FGMI, with a temporary 3" cold mix asphalt or D-1 transitioning to the bridge deck. If D-1 is used, FGMI shall maintain the D-1 until the final hot mix asphalt has been placed. FGMI will remove the temporary cold mix or D-1 and replace it with hot mix asphalt between May 1, 2001 and June 10, 2001. The bridge deck shall not have temporary pavement, but shall be paved with hot mix, to be completed by June 10, 2001. After completion of the hot mix asphalt, a layer of E-chips shall be applied to the surface of the bridge deck, in accordance with Specification Section 405, to be completed by June 10,

2001. Upon the completion of such work, FGMI shall deliver to DOT&PF a set of "as-built" plans and surveys for the undercrossing and related roadway work on or within the Steese Highway Right of Way.

It shall be the responsibility of FGMI to conform to the plans and to the obligations of this Agreement, and to the requirements of specifications 105-1.02 and 105-1.03. FGMI shall hire a third party to perform all testing and quality assurance inspection during construction. The third party inspector shall timely prepare written reports and promptly furnish them to the Regional Director or his designee. FGMI shall allow DOT&PF the opportunity to inspect during all phases of the construction process with or without prior notice from DOT&PF. If DOT&PF finds the work or any material is not in compliance with the plans and specifications, then any non-compliance will be handled in accordance with Section 105 and Section 106 of the Specifications.

Neither observations or inspections by DOT&PF, nor tests or approvals by others, relieve FGMI from the obligation to perform the work in accordance with this Agreement.

C. Traffic Control and Detour

Traffic shall be maintained during construction, by FGMI. FGMI shall provide a designated Worksite Traffic Supervisor and shall be in compliance with specification sections 643-1.01 through 643-3.09. FGMI shall submit traffic control plans, a phasing plan, and striping plans for review and written approval by DOT&PF before construction commences and before each change in traffic control plans. There shall be lighting for any traffic control plan requiring lane closure, flaggers, or truck crossings during hours of darkness. DOT&PF shall have discretion to direct any changes in traffic control plans and impose such additional requirements that in its sole discretion it feels are necessary, at any time during construction and at no cost to DOT&PF.

FGMI shall have an approved Traffic Control Plan (TCP) before construction work is begun on the Undercrossing and associated improvements. The TCP shall comply with specification section 643-1.03. For the detour that will be necessary during construction of the Undercrossing and improvements, FGMI must provide that it will have two lanes. To the extent possible, FGMI must endeavor to minimize the number and duration of one lane closures.

FGMI shall comply in all respects with the specification sections in 643 regarding Traffic Maintenance. The Steese Highway shall remain open until DOT&PF has reviewed, inspected, and given its written approval to the detour route. Public notices for any lane closures, major changes,

delays, road closures, or lane restrictions, shall be given to local officials and transportation organizations in accordance with specification section 643-3.03. The detour shall be limited to a maximum of 90 days duration. Each additional day of detour shall result in liquidated damages assessed against FGMI in the amount of \$500 per day. FGMI shall remove the snow from the detour route and sand the detour route as needed to provide a safe level of service for the users of the Undercrossing.

D. Maintenance

From the start of construction to the termination of this agreement FGMI shall maintain and keep in good repair the undercrossing structure and all related improvements including, but not limited to, bridge repairs, abutment settlement, guardrail, bridgerail, signs, sanding of the bridge deck. FGMI shall comply with any further directives of the Regional Director or his designee regarding maintenance or repair.

If there are future improvements to the Steese Highway during the duration of this agreement which require the widening of the Steese Highway surface at the Undercrossing site FGMI shall modify at its sole expense the undercrossing to accommodate this widening. The modifications shall be as directed by DOT&PF, and all Plans for the modifications must have the prior written approval of the Regional Director or his designee.

When the Undercrossing is complete, (except for the hot mix asphalt, that will be placed between May 1, 2001 and June 10, 2001,) and is accepted by DOT&PF, then DOT&PF will take over responsibility for maintaining the Steese Highway roadway for the removal of snow. However, it is and shall remain FGMI's responsibility to continue to sand as necessary on the Undercrossing, to produce a safe level of service for the duration of this agreement. DOT&PF shall have no responsibility whatever with respect to the FGMI road which goes under the Steese Highway at the Undercrossing.

E. Seeding and Re-vegetation

FGMI shall seed and re-vegetate all disturbed areas at the Undercrossing construction site to the extent and in the manner directed by the Regional Director or his designee. Generally, seeding and re-vegetation must comply with the requirements of sections 618, 619, 620, and 621 of the Specifications. FGMI is advised that part of the seeding and re-vegetation requirement will involve soil stabilization and surface preparation and the spreading of topsoil. It may also involve the planting of native trees and shrubs.

5. Authority of DOT&PF

The Regional Director or his designee shall decide all questions which may arise as to the quality and acceptability of materials furnished, work performed and the rate of progress of the work; all questions which may arise as to the interpretation of the Plans and the requirements of this Agreement; and all questions as to the acceptable fulfillment of this Agreement on the part of FGMI.

Work performed by FGMI and materials furnished shall conform to the lines, grades, cross sections, dimensions and material requirements, including tolerances, shown on the Plans or indicated in the applicable specifications or this Agreement.

In the event the Regional Director or his designee finds the materials or the finished product in which the materials are used or the work performed are not in conformity with the Plans, applicable specifications, or this Agreement, and have resulted in unacceptable or unsatisfactory construction of the Undercrossing and related facilities, the work or materials shall be removed and replaced or otherwise corrected by FGMI at its sole expense.

Where reference is made to the Regional Director's exercise of authority such exercise shall be in accordance with the law and supporting facts and shall not be arbitrary or capriciously made.

6. Termination of Agreement

This agreement shall end when FGMI no longer needs the Undercrossing for its mining operations, or as stated below. No less than one year prior to the termination of this agreement, FGMI shall notify DOT&PF in writing, of its intent to terminate this agreement. If so directed by the Regional Director or his designee, the Undercrossing and all associated roadway improvements within the Steese Highway Right of Way will be removed by FGMI at no cost to the State of Alaska, and the Steese Highway restored to its original pre-Undercrossing condition (or widened condition if later widened during the period this agreement is in effect). Upon termination of this Agreement all further maintenance and repair responsibilities for the Undercrossing and associated facilities, if they are not removed, are transferred to DOT&PF. Prior to any final transfer of maintenance and responsibilities for the undercrossing to DOT&PF, FGMI and DOT&PF shall jointly inspect the undercrossing. If there are any needed repairs, FGMI shall complete any identified repairs prior to a final transfer of ownership to DOT&PF.

DOT&PF may terminate this agreement in its discretion for any reason the Regional Director determines that such termination is in the best interest of the DOT&PF, without liability of the state or DOT&PF, by giving no less than one-year written notification to FGMI.

For violation of any term of this Agreement, including delay, neglect, or default of FGMI, DOT&PF will give notice in writing to FGMI and its surety for any of the reasons enumerated in section 108-1.08 of the specifications. Unless FGMI or its surety cures the default within the time specified in the notice, DOT&PF may give written notice to FGMI and its surety of the termination of the Agreement. The work required under this Agreement shall thereupon be transferred to the surety. The surety shall within a reasonable time submit its plan for completion of the work, including any contracts or agreements with third parties for such completion, to DOT&PF for approval prior to beginning completion of the work.

7. Reimbursement

FGMI shall reimburse DOT&PF for the cost of the time spent by DOT&PF for the review of the bridge plans, traffic control plans review, drafting of the agreement, attorney general fees, design review, inspection, and any other costs incurred by DOT&PF that are directly related to the design, construction, maintenance, or repair of the Undercrossing, or directly related to the obligations of FGMI under the terms of this Agreement.

All costs incurred will be billed by DNR & reimbursed to DOT&PF via a RSA with DNR.

8. Notices

Any notice required under this Agreement to be given by DOT&PF to FGMI shall be effective upon mailing to the following address:

Fairbanks Gold Mining, Inc.
Attn: Douglas C. Nicholson, Superintendent Development
P.O. Box 73726
Fairbanks, Alaska 99707

Any notice required under this Agreement to be given by FGMI to DOT&PF shall be effective upon mailing to the following address:

Regional Director
DOT&PF, Northern Region
2301 Peger Road

Fairbanks, Alaska 99709

9. Oral Statements.

No oral statement of any person whomsoever shall in any manner or degree modify or otherwise affect the terms of this Agreement.

10. Bond.

FGMI shall furnish Performance and Payment Bonds in accordance with requirements of specification 103-1.04, (Performance and Payment Bonds), in the sums of \$220,000.00 for the Performance Bond, and \$220,000.00 for the Payment Bond. The security furnished by FGMI and its surety shall guarantee performance and completion of the construction of the undercrossing and associated work, the continued maintenance of the undercrossing and associated work, and the removal of the undercrossing and associated work at the termination of the agreement, in accordance with this agreement. DOT&PF shall determine in its sole discretion whether the Payment and Performance bonds furnished by FGMI satisfy the requirements of specification section 103-1.04.

11. Indemnification.

FGMI shall indemnify, save harmless, and defend the State of Alaska, DOT&PF, and their agents and employees from any and all claims or actions for injuries or damages sustained by any person or property arising directly or indirectly from the construction or FGMI's performance of this Agreement, or FGMI's maintenance and operation of the Steese Highway Undercrossing and associated improvements; however, this provision has no effect if, but only if, the sole proximate cause of the injury or damage is the DOT&PF's negligence.

It is specifically agreed between the parties executing this Agreement that it is not intended by any of the provisions of the Agreement to create in the public or any member thereof of third party benefit hereunder, or to authorize anyone not a party to this Agreement to maintain a suit for personal injuries or property damage pursuant to the terms or provisions of this Agreement.

12. Insurance.

FGMI shall provide insurance with the State of Alaska as a named insured which complies with all of the requirements of specification 103-1.05. This means that FGMI must have Workers' Compensation Insurance, Commercial General Liability Insurance, and Automobile Liability Insurance. This insurance shall remain effective for the duration of this

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Agreement. This insurance shall include coverage for accidents involving the public or state use of the Undercrossing, and all associated improvements, and arising out of the design, construction, maintenance, or repair of the Undercrossing, and associated improvements.

13. Assignment, Successors in Interest.

FGMI may not assign or transfer this Agreement without the prior written approval of the Regional Director. This Agreement is binding on any successor in interest to FGMI, and on any entity that merges with FGMI. However, if FGMI becomes insolvent, then the provisions of specification section 108-1.08 apply, and FGMI agrees that the Agreement will be assumed by the surety in a timely manner so as to complete the construction, maintenance and other obligations in a timely manner.

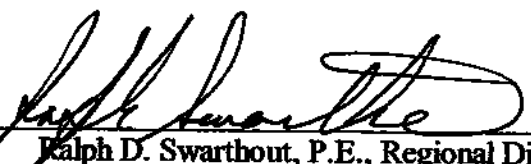
EFFECTIVE AS OF THE LAST DATE OF EXECUTION SET FORTH BELOW.

FAIRBANKS GOLD MINING, INC.

By: 
Tom Irwin, General Manager

Date: 12/15/00

ALASKA DEPARTMENT OF
TRANSPORTATION AND PUBLIC FACILITIES

By: 
Ralph D. Swarthout, P.E., Regional Director

Date: 12/18/00